

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 NRC-05 ACDA-12 /153 W
-----034541 151311Z /11

R 150955Z APR 78
FM USMISSION USBERLIN
TO SECSTATE WASHDC 6642
USDOC WASHDC
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION GENEVA

C O N F I D E N T I A L SECTION 1 OF 2 USBERLIN 0883

USEEC, USMTN

E.O. 11652: GDS
TAGS: EGEN, ETRD
SUBJECT: MEETING BETWEEN SECRETARY KREPS AND FRG MINISTER OF
ECONOMICS LAMBSDORFF

SUMMARY: KREPS-LAMBSDORFF MEETING PRODUCED WIDE-RANGING
DISCUSSION ON FUNDAMENTAL ISSUES IN U.S.-GERMAN RELATIONS.
LAMBSDORFF ADVANCED USUAL GERMAN CONCERNS ON U.S. NUCLEAR
POLICY; REEMPHASIZED GERMAN HOPES FOR SUBSTANTIAL PROGRESS
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IN THE MTN; AND EXPRESSED SATISFACTION WITH CURRENT U.S.
ATTEMPTS TO DEAL WITH DECLINING DOLLAR. LAMBSDORFF
COMMENTED FAVORABLY ON CARTER INITIATIVES ON ANTI-INFLATION
AND EXPORT EXPANSION. END SUMMARY.

1. SECRETARY OF COMMERCE KREPS, ACCOMPANIED BY AMBASSADOR
AND A/S FRANK WEIL, HAD WARM, FRIENDLY MEETING WITH

FRG MINISTER OF ECONOMICS LAMBSDORFF, IN WHICH SEVERAL FUNDAMENTAL TOPICS IN U.S.-GERMAN RELATIONS WERE DISCUSSED. MINISTER LAMBSDORFF EXPRESSED SATISFACTION WITH PRESIDENT'S ANTI-INFLATION SPEECH AND STRESSED NEED FOR ALL COUNTRIES TO DEAL WITH THIS PROBLEM SERIOUSLY.

2. LAMBSDORFF EXPRESSED PARTICULAR INTEREST IN PRESIDENT'S PROPOSAL FOR AN EXPANDED EXPORT EFFORT. HE COMMENTED THAT U.S. BUSINESSMEN WERE NOT YET EXPORT-MINDED, BUT OVER TIME WOULD HAVE TO LEARN TO ADAPT TO NEW MARKETS. SECRETARY KREPS STRESSED THAT TRADITIONAL FACTORS LIKE DISTANCE AND THE SIZE OF THE U.S. DOMESTIC MARKET HAVE WORKED AGAINST THE DEVELOPMENT OF AN EXPORT-MINDED U.S. BUSINESS COMMUNITY, BUT IN TIME THIS SHOULD CHANGE. SHE POINTED TO EFFORTS OF COMMERCE DEPARTMENT TO WORK WITH SMALL AND MEDIUM-SIZE FIRMS IN ATTEMPTING TO CHANGE RELUCTANCE OF U.S. FIRMS TO EXPORT. LAMBSDORFF DREW THE PARALLEL WITH SMALLER GERMAN FIRMS WHICH ULTIMATELY HAD TO LEARN TO EXPORT TO SURVIVE. HE ADDED THAT AN AGGRESSIVE U.S. STANCE ON EXPORTING WOULD NOT BE VIEWED NEGATIVELY BY THE GERMANS, BUT WOULD BE PERCEIVED AS A LEGITIMATE ATTEMPT TO STRENGTHEN DOLLAR THROUGH A DECREASE IN U.S. TRADE DEFICIT.

3. LAMBSDORFF POINTED TO THE RECENT EFFORT BY JAPAN TO PENETRATE EUROPEAN MARKETS. ALTHOUGH, BECAUSE OF CONFIDENTIAL

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PREVIOUS PROMISES, HE WAS SCEPTICAL OF JAPAN'S SERIOUSNESS TO REDUCE ITS TRADE SURPLUS, HE WAS HOPEFUL THAT RECENT INTERNATIONAL PRESSURE, AS WELL AS THE POSITIVE ROLE JAPAN WAS NOW PLAYING IN MTNS, MAY SIGNAL A CHANGE IN POLICY. A/S WEIL EXPRESSED SIMILAR RESERVE, ALTHOUGH HE POINTED OUT THAT THE SITUATION TODAY IS SUFFICIENTLY DIFFERENT, WITH JAPAN NOW RECOGNIZING THAT IF IT DOES NOT OPEN UP HOME MARKET TO WESTERN EXPORTS, ITS WESTERN MARKETS MIGHT SUBSEQUENTLY BE NARROWED BY DOMESTIC POLITICAL FORCES.

4. LAMBSDORFF STRESSED THE IMPORTANCE OF CONTINUING PERSONAL CONTACTS BETWEEN U.S. AND GERMAN OFFICIALS, AND EXPRESSED GREAT APPRECIATION FOR SECRETARY BROWN'S VISIT TO BONNHAT THIS PARTICULARLY SENSITIVE TIME. HE SAID THAT MORE OF THESE SORTS OF VISITS WOULD BE WELCOME.

5. ON TRADE MATTERS, LAMBSDORFF EXPRESSED CONCERN OVER GROWING PROTECTIONIST TENDENCIES IN THE U.S. CONGRESS, IN LABOR UNIONS, AND IN SOME INDUSTRIES. SIMILAR TENDENCIES WERE ALSO APPEARING IN THE UK AND FRANCE. HE STRESSED THAT MTN REMAINS THE BEST VEHICLE FOR CONFRONTING

THESE PROBLEMS, AND POINTED OUT THAT THERE WERE ONLY
NEGLECTIBLE DIFFERENCES BETWEEN THE U.S. AND GERMAN POSI-
TIONS IN THESE NEGOTIATIONS. HE DID SEE POTENTIAL

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C O N F I D E N T I A L SECTION 2 OF 2 USBERLIN 0883

USEEC; USMTN

PROBLEMS IN CERTAIN NTB AREAS, INCLUDING SELECTIVE
SAFEGUARDS AND FAIR LABOR STANDARDS. ON LATTER POINT,
HE SUGGESTED GREATER CONTACT BETWEEN OUR U.S.
AND GERMAN LABOR LEADERS WOULD BE USEFUL.

6. LAMBSBORFF INDICATED THAT THE U.S. POSITION ON NUCLEAR
FUEL EXPORTS IS OF GREAT CONCERN TO GERMANY, A COUNTRY
DEPENDENT ON NUCLEAR ENERGY AND THE U.S. AS A SOURCE OF
SUPPLY. HE STRESSED THAT THE ADMINISTRATION'S PHILOSOPHY
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ON NUCLEAR PROLIFERATION MUST CONTINUE TO BE DISCUSSED, AND HE SAID THAT HE HOPED AND EXPECTED THAT THE LETTER FROM THE EUROPEAN COMMUNITY TO THE PRESIDENT ON THIS ISSUE WOULD BE FORTHCOMING. HE STRESSED THAT GERMANY IS CAREFUL WITH ENVIRONMENTAL ASPECTS OF NUCLEAR ENERGY USE.

7. ON MONETARY MATTERS, AND PARTICULARLY THE CURRENT STATE OF THE DOLLAR, LAMBSDORFF SAID THAT FOR THE TIME BEING THE ISSUE IS SETTLED. HE IS SATISFIED THAT THE MARCH 13 JOINT U.S./ GERMAN STATEMENT HAS SETTLED THE "SYMPTOMS OF THE ILLNESS." HE DID, HOWEVER, STRESS THE IMPORTANCE OF DEALING WITH THE PRINCIPAL CAUSES OF THE ILLNESS, THE ABSENCE OF AN ENERGY BILL AND AN EXPORT POLICY.

8. WEIL RAISED THE QUESTION OF HOW NATIONAL POLICIES IN CERTAIN INDUSTRIAL SECTORS COULD IN TIME CREATE DISLOCATIONS ON TRADE FRONT. LAMBSDORFF POINTED TO HIS OWN CONCERN WITH UK POLICY VIS-A-VIS BRITISH STEEL AND HOPED THAT THE E.C. MECHANISM FOR MONITORING SPECIFIC NATIONAL SUBSIDIES COULD SOLVE FUTURE PROBLEMS.

9. LAMBSDORFF TOUCHED ON ZENITH V.A.T. CASE NOW BEFORE SUPREME COURT AND INDICATED THAT UNFAVORABLE DECISION ON THIS MATTER COULD RESULT IN TRADE WAR. WEIL AND KREPS BOTH EXPRESSED HOPE THAT SUPREME COURT WAS SENSITIVE TO TRADE IMPLICATIONS OF THIS ISSUE, AND HOPED A DECISION FAVORABLE TO FREE TRADE INTERESTS WOULD BE FORTHCOMING, BUT IF NOT THE ADMINISTRATION WOULD PROMPTLY PUSH VERY HARD FOR APPROPRIATE LEGISLATION. GEORGE

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Subject: MEETING BETWEEN SECRETARY KREPS AND FRG MINISTER OF ECONOMICS LAMBSDORFF SUMMARY: KREPS-LAMBSDORFF MEETING PRODUCED WIDE-RA
TAGS: EGEN, ETRD, US, GE, (KREPS, JUANITA M), (LAMBSDORFF, OTTO COUNT)
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